

103^D CONGRESS
1ST SESSION

H. R. 2077

To amend the Public Health Service Act and the Internal Revenue Code of 1986 to establish an entitlement of certain individuals to receive payments for attendance at certain health professions schools.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 1993

Mr. STARK introduced the following bill; which was referred jointly to the Committees on Energy and Commerce and Ways and Means

A BILL

To amend the Public Health Service Act and the Internal Revenue Code of 1986 to establish an entitlement of certain individuals to receive payments for attendance at certain health professions schools.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Health Education
5 Lending Program Act”.

1 **SEC. 2. ESTABLISHMENT OF ENTITLEMENT PROGRAM RE-**
2 **GARDING ATTENDANCE AT CERTAIN HEALTH**
3 **PROFESSIONS SCHOOLS.**

4 Title VII of the Public Health Service Act (42 U.S.C.
5 292 et seq.), as amended by section 102 of Public Law
6 102–408, is amended by adding at the end of part A the
7 following subpart:

8 **“Subpart III—Entitlement Program**

9 **“SEC. 735A. PAYMENTS FOR ATTENDANCE AT CERTAIN**
10 **HEALTH PROFESSIONS SCHOOLS.**

11 **“(a) IN GENERAL.—**

12 **“(1) PROVISION OF ASSISTANCE.—**Subject to
13 the provisions of this section, in the case of an indi-
14 vidual described in subsection (c) who submits to the
15 Secretary an application in accordance with sub-
16 section (i), the Secretary shall make payments on
17 behalf of the individual for the costs related to the
18 attendance of the individual at any school of medi-
19 cine, osteopathic medicine, dentistry, podiatry, or op-
20 tometry.

21 **“(2) RECAPTURE TAX.—**The Secretary may not
22 approve an application for payments under para-
23 graph (1) unless the individual involved acknowl-
24 edges in writing that the individual understands that
25 receiving such payments may subject the individual

1 to taxation under section 59B of the Internal Reve-
2 nue Code of 1986.

3 “(b) ENTITLEMENT STATUS OF PAYMENTS.—

4 “(1) IN GENERAL.—Subject to paragraph (3),
5 each eligible individual is entitled to payments under
6 subsection (a) on behalf of the individual in an
7 amount determined under subsection (e) and for the
8 purposes specified in such subsection. The preceding
9 sentence constitutes budget authority in advance of
10 appropriations Acts, and represents the obligation of
11 the Federal Government to make the payments.

12 “(2) TRUST FUND.—Payments under sub-
13 section (a) shall be made from amounts in the
14 Health Professions Education Trust Fund estab-
15 lished in section 9511 of the Internal Revenue Code
16 of 1986.

17 “(3) LIMITATION.—The obligation of the Fed-
18 eral Government to make payments under subsection
19 (a) is effective only to the extent of amounts in the
20 Fund.

21 “(c) ENROLLMENT STATUS; IMMIGRATION STA-
22 TUS.—For purposes of subsection (a), an individual de-
23 scribed in this subsection is any individual—

1 “(1) who is enrolled or accepted for enrollment
2 as a full-time student at a designated health profes-
3 sions school in any of the States; and

4 “(2) for whom being in any of the States, or at-
5 tending an educational institution in any of the
6 States, does not constitute a violation of the Immi-
7 gration and Nationality Act.

8 “(d) REQUIREMENT REGARDING COMPLETION OF
9 EDUCATIONAL PROGRAM.—With respect to the program
10 of education in which an individual is enrolled or accepted
11 for enrollment at the designated health professions school
12 involved, an application agreement for payments under
13 subsection (a) for the individual is that the individual
14 will—

15 “(1) maintain an acceptable level of academic
16 standing in the program (as determined by the
17 school in accordance with standards issued by the
18 Secretary); and

19 “(2) complete the program of education.

20 “(e) AMOUNT OF PAYMENTS; AUTHORIZED EXPEND-
21 ITURES.—

22 “(1) AMOUNT.—

23 “(A) For purposes of subsection (b)(1), the
24 amount of payments determined under this sub-
25 section is, subject to subparagraph (B), the

1 total of payments described in paragraph (2)
2 that the Secretary determines is necessary for
3 the individual to complete the program of edu-
4 cation in which the individual is enrolled or ac-
5 cepted for enrollment at the designated health
6 professions school involved.

7 “(B) The total of payments made under
8 subsection (a) during the life of the individual
9 involved may not exceed \$120,000, as adjusted
10 for each academic year beginning after July
11 1994 to offset the effects of inflation occurring
12 after October 1, 1993, as indicated by changes
13 in the consumer price index for all urban con-
14 sumers (U.S. city average), published by the
15 Bureau of Labor Statistics.

16 “(2) AUTHORIZED EXPENDITURES.—For pur-
17 poses of paragraph (1)(A), the payments described
18 in this paragraph are payments for the purposes
19 of—

20 “(A) tuition and all other reasonable edu-
21 cational expenses of the program of education
22 involved, including fees, books, and laboratory
23 expenses; and

24 “(B) a stipend.

1 “(3) CERTAIN CONSIDERATIONS REGARDING
2 STIPENDS.—In determining the amount of a stipend
3 that an individual is to receive under paragraph (1),
4 the Secretary shall consider the costs of living in the
5 locality involved, the costs of child care for the chil-
6 dren of the individual (if any), the costs involved in
7 taking examinations required by the States involved
8 as a condition of practicing the health profession
9 with respect to which payments under subsection (a)
10 are provided, and such other costs as the Secretary
11 determines to be appropriate with respect to attend-
12 ance at a designated health professions school.

13 “(4) TRANSFER OF LOAN BALANCES TO SEC-
14 RETARY.—In the case of an eligible individual to
15 whom a financial institution has made a loan for any
16 of the purposes specified in paragraph (2), the Sec-
17 retary may, upon the request of the individual, pay
18 the balance of the loan (except to the extent that the
19 loan was provided for other purposes). Payments
20 made under the preceding sentence on behalf of an
21 eligible individual shall be included in determining
22 the total of payments made for the individual for
23 purposes of paragraph (1)(B).

24 “(5) AGREEMENT.—An application agreement
25 for payments under subsection (a) for an individual

1 is that the individual will expend the payments in
2 accordance with such restrictions on amount as the
3 Secretary may, under paragraph (1), establish for
4 the various categories of expenditures authorized in
5 paragraph (2).

6 “(f) AUTHORITY FOR DIRECT PAYMENTS TO
7 SCHOOLS.—The Secretary may enter into an agreement
8 with a designated health professions school under which
9 the payments made under subsection (a) on behalf of an
10 individual for the purposes specified in subsection
11 (e)(2)(A) are made directly to the school. Payments under
12 the preceding sentence are not subject to section 3324 of
13 title 31, United States Code (relating to advance pay-
14 ments).

15 “(g) FAILURE REGARDING SATISFACTORY COMPLE-
16 TION OF EDUCATIONAL PROGRAM.—

17 “(1) IN GENERAL.—An application agreement
18 for payments under subsection (a) for an individual
19 is that, if the individual fails to comply with sub-
20 section (d), the individual is liable to the Federal
21 Government in an amount equal to the sum of—

22 “(A) the amount of the payments that
23 have been made; and

24 “(B) an amount representing interest on
25 such payments, accruing during the period in

1 which the payments were made and determined
2 by the Secretary of the Treasury on the basis
3 of the average of the bond equivalent of the
4 weekly 90-day auction rate of Treasury bills.

5 “(2) WAIVER.—The Secretary may waive the
6 right of the Federal Government to recover amounts
7 pursuant to paragraph (1) if compliance by the indi-
8 vidual with the agreement made under subsection
9 (d) is impossible or would involve extreme hardship
10 and if enforcement of the agreement with respect to
11 any individual would be unconscionable.

12 “(3) BANKRUPTCY.—The liability of an individ-
13 ual pursuant to paragraph (1) may be released by
14 a discharge in bankruptcy under title 11, United
15 States Code, only if such discharge is granted after
16 the expiration of the 7-year period beginning on the
17 first date that payments pursuant to such liability
18 are required, and only if the bankruptcy court finds
19 that nondischarge of the obligation would be uncon-
20 scionable.

21 “(h) CHOICE OF SCHOOL.—The entitlement estab-
22 lished pursuant to subsection (a) regarding an individual
23 applies to any designated health professions school with
24 respect to which the requirements of this section are met.
25 Application agreements made under this section may not

1 be construed as prohibiting an individual from transfer-
2 ring between schools.

3 “(i) APPLICATION FOR PAYMENTS.—For purposes of
4 subsection (a), an application for payments under such
5 subsection is in accordance with this subsection if—

6 “(1) the application is submitted to the Sec-
7 retary by the date established by the Secretary re-
8 garding payments for the academic year involved;

9 “(2) the application contains the acknowledg-
10 ment required in subsection (a)(2);

11 “(3) the application contains assurances satis-
12 factory to the Secretary that the individual involved
13 is an individual described in subsection (c);

14 “(4) the application contains each application
15 agreement described in this section; and

16 “(5) the application is in writing, is signed by
17 such individual, and otherwise is in such form as the
18 Secretary may require.

19 “(j) DENTAL RESIDENCIES.—The entitlement estab-
20 lished pursuant to subsection (b) applies to the costs relat-
21 ed to participation in a residency training program in den-
22 tistry to the same extent and in the same manner as the
23 entitlement applies to the costs related to attendance at
24 a designated health professions school. For purposes of
25 subsection (e)(1)(B), the preceding sentence does not af-

1 fect the limitation on the total of payments under sub-
2 section (a) that may be made to an individual during the
3 life of the individual.

4 “(k) DEFINITIONS.—For purposes of this section:

5 “(1) The term ‘application agreement’, with re-
6 spect to payments under subsection (a) for an indi-
7 vidual, means that the Secretary may not make the
8 payments unless the individual makes the agreement
9 involved.

10 “(2) The term ‘costs’, in the case of the costs
11 related to the attendance of an individual at a des-
12 ignated health professions school, means the costs
13 for which payments may be made for purposes of
14 subsection (e)(2).

15 “(3) The term ‘designated health professions
16 school’ means a school specified in subsection (a)(1).

17 “(4) The term ‘eligible individual’ means an in-
18 dividual described in subsection (c) who submits to
19 the Secretary an application in accordance with sub-
20 section (i).

21 “(5) The term ‘Fund’ means the Health Profes-
22 sions Education Trust Fund established in section
23 9511 of the Internal Revenue Code of 1986.”.

1 **SEC. 3. FINANCING OF ENTITLEMENT PROGRAM.**

2 (a) HEALTH PROFESSIONS ASSISTANCE RECAPTURE
3 TAX.—

4 (1) IN GENERAL.—Subchapter A of chapter 1
5 of the Internal Revenue Code of 1986 (relating to
6 determination of tax liability) is amended by adding
7 at the end thereof the following new part:

8 **“PART III—HEALTH PROFESSIONS ASSISTANCE**
9 **RECAPTURE TAX**

“Sec. 59B. Imposition of additional tax.

10 **“SEC. 59B. IMPOSITION OF ADDITIONAL TAX.**

11 “(a) GENERAL RULE.—In the case of any individual
12 to whom this section applies, there is hereby imposed (in
13 addition to any other tax imposed by this subtitle) a tax
14 equal to 1 percent of the recapture income of such individ-
15 ual for the taxable year.

16 “(b) HIGHER TAX RATE WHERE ASSISTANCE EX-
17 CEEDS CERTAIN AMOUNT.—If the aggregate amount of
18 payments made to the taxpayer (or spouse of the tax-
19 payer) under section 735A of the Public Health Service
20 Act exceeds an amount equal to 50 percent of the amount
21 in effect for purposes of subsection (e)(1)(B) of such sec-
22 tion (as of the time the taxpayer completes the program
23 of education with respect to which such payments were
24 provided), subsection (a) shall be applied by substituting
25 ‘2 percent’ for ‘1 percent’.

1 “(c) INDIVIDUALS TO WHOM SECTION APPLIES.—

2 “(1) IN GENERAL.—Except as otherwise pro-
3 vided in this subsection, this section shall apply to
4 an individual who—

5 “(A) received payments under section
6 735A of the Public Health Service Act, and

7 “(B) before the close of the taxable year,
8 successfully completed the program of education
9 with respect to which such payments were pro-
10 vided.

11 “(2) THREE-YEAR RESIDENCY FORBEAR-
12 ANCE.—If an individual is enrolled in a residency
13 training program in medicine, dentistry, or podiatry,
14 this section shall not apply to the individual for a
15 taxable year—

16 “(A) which includes any portion of the pe-
17 riod beginning on the date on which the individ-
18 ual begins participation in the program and
19 ending on the earlier of the date on which the
20 individual completes the program or the date
21 that is 3 years after the individual begins such
22 participation; and

23 “(B) for which the individual participates
24 in the program in accordance with the terms of
25 the program.

1 “(3) SERVICES IN HEALTH PROFESSIONAL
2 SHORTAGE AREAS.—With respect to an individual
3 who completes a residency training program in medi-
4 cine, dentistry, or podiatry and who continues or be-
5 gins practice as a provider of primary health services
6 (as defined in section 331(a)(3)(D) of the Public
7 Health Service Act), this section shall not apply to
8 the individual for a taxable year during which, for
9 not less than 6 months, the individual provides such
10 services in a health professional shortage area (as
11 designated under section 332 of such Act).

12 “(4) TAXPAYERS NOT REQUIRED TO FILE RE-
13 TURN.—This section shall not apply to any individ-
14 ual for any taxable year if such individual is not re-
15 quired to file a return of the tax imposed by this
16 chapter for such taxable year.

17 “(5) INDIVIDUALS WHO HAVE ATTAINED AGE
18 67.—This section shall not apply to any individual
19 for any taxable year if such individual has attained
20 age 67 before the close of such taxable year.

21 “(d) RECAPTURE INCOME.—For purposes of this sec-
22 tion—

23 “(1) IN GENERAL.—Except as provided in para-
24 graph (2), the term ‘recapture income’ means modi-

1 fied adjusted gross income (as defined in section
2 86(b)(2)).

3 “(2) TREATMENT OF MARRIED INDIVIDUALS.—

4 “(A) JOINT RETURNS.—In the case of a
5 joint return where only 1 spouse is an individ-
6 ual to whom this section applies, the term ‘re-
7 capture income’ means the sum of—

8 “(i) the portion of the modified ad-
9 justed gross income of the individuals fil-
10 ing such return which is attributable to
11 earned income (as defined in section
12 911(d)(2)) of the individual to whom this
13 section applies, plus

14 “(ii) 50 percent of the portion of such
15 modified adjusted gross income which is
16 not described in clause (i) and is not at-
17 tributable to the earned income (as so de-
18 fined) of the other spouse.

19 “(B) SEPARATE RETURNS.—In the case of
20 a married couple where only 1 of the spouses is
21 an individual to whom this section applies (de-
22 termined without regard to this subparagraph)
23 and where the spouses file separate returns for
24 the taxable year—

1 “(i) both spouses shall be treated as
2 individuals to whom this section applies,
3 and

4 “(ii) the recapture income of each of
5 such spouses shall be determined under the
6 rules of subparagraph (A); except that
7 clause (i) of this subparagraph shall not
8 apply for purposes of subparagraph (A)(i).

9 “(e) CREDITS NOT ALLOWABLE; ETC.—The tax im-
10 posed by this section shall not be treated as a tax imposed
11 by this chapter for purposes of determining—

12 “(1) the amount of any credit allowable under
13 this chapter, or

14 “(2) the amount of the minimum tax imposed
15 by section 55.

16 “(f) MARITAL STATUS.—For purposes of this section,
17 marital status shall be determined under section 7703.”

18 “(2) CLERICAL AMENDMENT.—The table of
19 parts for subchapter A of chapter 1 of such Code is
20 amended by adding at the end thereof the following
21 new item:

 “Part VIII. Health professions assistance recapture tax.”

22 “(3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years end-
24 ing after the date of the enactment of this Act.

1 (b) HEALTH PROFESSIONS EDUCATION TRUST
2 FUND.—

3 (1) IN GENERAL.—Subchapter A of chapter 98
4 of such Code (relating to Trust Fund Code) is
5 amended by adding at the end thereof the following
6 new section:

7 **“SEC. 9511. HEALTH PROFESSIONS EDUCATION TRUST**
8 **FUND.**

9 “(a) CREATION OF TRUST FUND.—There is hereby
10 established in the Treasury of the United States a trust
11 fund to be known as the ‘Health Professions Education
12 Trust Fund’, consisting of such amounts as may be appro-
13 priated to credited to such Trust Fund as provided in this
14 section or section 9602(b).

15 “(b) TRANSFER TO TRUST FUND OF AMOUNTS
16 EQUIVALENT TO CERTAIN TAXES.—There are hereby ap-
17 propriated to the Health Professions Education Trust
18 Fund amounts equivalent to the taxes received in the
19 Treasury under section 59B.

20 “(c) EXPENDITURES FROM TRUST FUND.—Amounts
21 in the Health Professions Education Trust Fund shall be
22 available, as provided by appropriation Acts, for making
23 payments under section 735A of the Public Health Service
24 Act.

25 “(d) AUTHORITY TO BORROW.—

1 “(1) IN GENERAL.—There are authorized to be
2 appropriated to the Health Professions Education
3 Trust Fund, as repayable advances, such sums as
4 may be necessary to make payments under section
5 735A of the Public Health Service Act.

6 “(2) REPAYMENT OF ADVANCES.—Advances
7 made to the Health Professions Education Trust
8 Fund shall be repaid, and interest on such advances
9 shall be paid, to the general fund of the Treasury
10 when the Secretary determines that moneys are
11 available for such purposes in such Trust Fund.

12 “(3) INTEREST.—Interest on advances made
13 under this subsection shall be at a rate determined
14 by the Secretary of the Treasury (as of the close of
15 the calendar month preceding the calendar month in
16 which the advance is made) to equal to the current
17 average market yield on outstanding marketable ob-
18 ligations of the United States with remaining peri-
19 ods to maturity comparable to the anticipated period
20 during which the advance will be outstanding. Such
21 interest shall be compounded annually.”

22 (2) CLERICAL AMENDMENT.—The table of sec-
23 tions for subchapter A of chapter 98 of such Code
24 is amended by adding at the end thereof the follow-
25 ing new item:

 “Sec. 9511. Health Professions Education Trust Fund.”



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